

# Corporations' Annual Reports

## Heavy Losses Continue, but Overall Picture and Outlook Brighter

**A**LTHOUGH the accounts of the three airline Corporations for the financial year 1947-1948 show a 5 per cent greater loss than in the previous year, amounting to £11.09 million as compared with £10.57 million, the overall picture is much more encouraging than at this time last year. During the twelve months under review, 100.4 million capacity ton miles were flown on air transport services compared with 73.4 million capacity ton miles in 1946-7, and 471 million passenger miles were flown by comparison with 338 million. These figures represent a 37 per cent and a 42 per cent increase respectively. Total operating costs for the year, in fact, fell from 76.4d to 68.5d per capacity ton mile for the three Corporations. The results of the vigorous efforts of the Corporations to cut down expenditure, which have been and are still being made, will not be felt appreciably until 1949-50, but there should be a progressive improvement from then onwards. The principal improvements will come from the cutting down of indirect costs, and the bringing into service of more economical types of aircraft.

### B.O.A.C.

**D**URING the year route mileage for the Corporation increased from 53,998 to 58,318; aircraft mileage from 27,537,849 to 29,193,057; capacity ton miles from 59,258,901 to 65,635,148; and operating revenue from £11,459,734 to £12,292,403.

Services are operated with substantially the same aircraft as in the previous years because of delays in the delivery of Solents and Stratocruisers, and maintenance had still to be done at scattered bases remote from the terminal airports. Thanks to the changes made to secure higher payloads and operating economies, the direct operating costs were reduced from 44.6 to 39.7 pence per capacity ton mile; the Atlantic Division achieved 28.1 pence per capacity ton mile. The total operating costs fell from 76.2 to 69.7 pence per capacity ton mile.

During the year there was a continuous reduction in the number of staff from 24,464 to 21,844. The output of capacity ton miles per employee, which is a measure of efficiency of airline operation if conditions remain the same, rose from 2,422 to 3,005. In the Atlantic Division the output was more than twice as large as the average.

Outstanding features of the work of the Divisions have been the high utilization of the Constellations in the Atlantic Division, the interference with the services in North Africa and the Middle East owing to the outbreak of cholera and the troubles in Palestine, and the remarkable success of Operations India and Pakistan. At very short notice the Corporation, working in co-operation with the charter companies, organized two air lifts which together carried 43,500 people and 670 tons of baggage without an accident.

In spite of substantial progress made there was again a heavy deficit of £7,091,439, which compares with £8,076,844 for last year. The main causes were the multiplicity of types of uneconomical aircraft still in use and the high cost of maintenance due to the number and location of maintenance bases.

### Future Aircraft Programme

The uncertainty about the future aircraft programme, which had made it extremely difficult to plan ahead, is now removed. Five Constellation have been bought for the Australian service, twenty-two Canadairs have been ordered, and the Hermes IV should be in operation on the Empire routes in 1949-50. The re-equipment of the fleet with these aircraft will change entirely the Corporation's financial prospects, and with the economies made possible by the reorganization now in progress, the Corporation should be self-supporting on its commercial routes within three or four years.

There are still two difficult years to face in 1948-49 and 1949-50, as exceptional efforts and costs will be involved in bringing into service the new types of aircraft. The move of the Dorval base to Filton is a costly disruption. Much of the abnormal expenditure will not be fully productive until 1950-51.

Losses for the period under review were:—

British Overseas Airways: £7,091,439 (£8,076,844 loss in 1946-7). British European Airways: £3,573,989 (£2,157,937 loss in 1946-7). British South American Airways: £421,481 (£20,507 surplus in 1946-7).

A large number of contributory causes for their continued losses are mentioned by the Corporations in their three individual reports. Some are in process of removal, but others will continue for at least two or three more years. They include multiplicity of aircraft types, development and introduction of new types, development of new routes, delay in introducing new aircraft, inadequate and uneconomical maintenance and housing facilities, priority bookings, high landing fees at home, duty on fuels, and training of crews and administrative staff. Three other subjects which also have a bearing on finances and are at present under negotiation, are arrangements for the carriage of mail, the general pensions scheme to be set up for the three corporations and an incentive scheme for engineering personnel.

Activities of the Corporation during the year have included the opening of a new service from the U.K. to Colombo and later its extension to Singapore, and the extension of the U.K.-Hong Kong service to Iwakuni, Japan. Australia and South Africa services, operated in partnership with Qantas Empire Airways and South African Airways, have shown substantial increases in traffic. Improvements have been made in both the transit and night stop accommodation along the routes. The cost of providing this accommodation is heavy at the seventy stations at which the Corporation has to maintain staff. The reservation of rooms all through the year to be certain of the accommodation is an expensive item in the cost of the services. Progress has been made in developing pre-cooked frozen food.

The Corporation continued the policy of assisting the airline companies along its routes and of taking a financial interest in such companies where desirable. Hong Kong Airways has been formed as a wholly owned subsidiary, with the intention of inviting participation by local capital, and the Corporation has taken a small interest in Malayan Airways.

### Service Staging Posts Taken Over

Responsibility of providing communications, flying control and navigational facilities at a number of stations along routes following the withdrawal of R.A.F. staging posts, has been transferred to International Aeradio, Ltd., the subsidiary formed for the purpose in 1947 by the three Corporations.

The Technical Development department has been closely associated with the firms producing the Hermes IV, Bristol 175 and de Havilland Comet to ensure that future operational requirements of the Corporations were considered at every stage. The Corporation has also been associated with the building of the S.R.45 and Brabazon I.

In January, 1948, the Boeing 314 flying boats were withdrawn from service on the Baltimore-Bermuda route and were replaced by Constellation aircraft operating to Bermuda both from New York and Baltimore.

In July, 1947, the Corporation purchased a secondhand Constellation for \$131,000 (£34,725). After preliminary work in California the aircraft was flown to Dorval where the modifications required to bring it up to B.O.A.C. standards were completed by March, and the aircraft was in service in April, 1948. Thanks largely to the skill of the staff at Dorval the total cost was \$459,000 (£114,725), which is less than half the price of a new aircraft of this type. During August, 1947, modifications were completed to increase the all-up-weight of Constellation aircraft from 90,000 to 93,000 pounds with consequent improvement in payload.

Plans have been made for the move of the Atlantic Division Base from Dorval in Canada to Filton. The object of this move is to save dollars, but it will involve the Corporation in heavy expenditure, much of which would have been avoided if accommodation had been available at London Airport. The capital cost to the Corporation will be at least £400,000, which includes £250,000 for the construction of workshops and offices